

Highlights

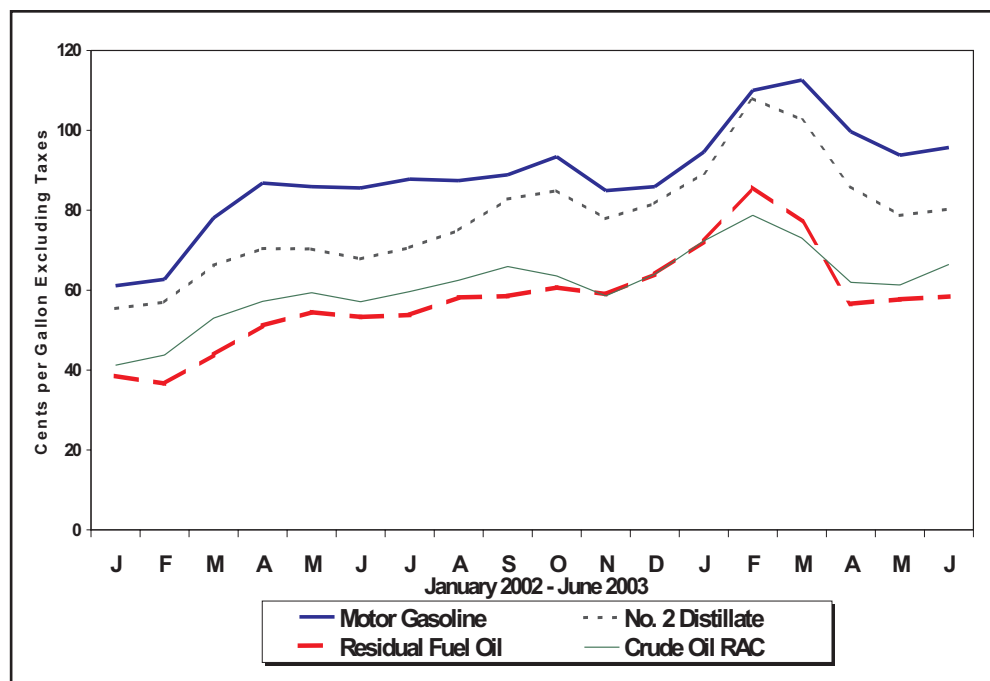
Remaining on the upward track seen during May, international crude oil prices continued to register moderate increases in June. Supply concerns and political issues were the main factors driving the rise in prices. Reports indicated that production from the active ten members of The Organization of Petroleum Exporting Countries (OPEC) dropped during June, in addition to reported production declines due to scheduled maintenance from several non-OPEC sources. Additionally, the resumption of crude oil production and exports from Iraq encountered delays. Prior to the war, Iraq produced about 2.5 million barrels of crude oil per day. Prices for many benchmark streams hit their highs for the month when OPEC members met in Doha, Qatar on June 11 to discuss the group's current production policy. Before the meeting, uncertainty as to whether the group would make changes to current production quotas, along with questions about how quickly production and exports from post-war Iraq would be restored contributed to price volatility.

Talk in the marketplace that some members favored immediate production cuts to avoid oversupply later in the year helped to underpin prices prior to the meeting. However, the group decided that current production levels would remain in place until it met again at the end of July. Finally, on the last day of the month, oil prices were lifted by the threat of Nigerian crude oil production and exports being affected by a general labor strike if oil workers decided to join the walkout.

With some notable exceptions, crude oil and finished product prices in the United States underwent moderate increases during June. While prices were influenced by international events, they were also driven by the ongoing high refinery utilization rate and supply reports showing

inventory declines and firm demand for refined products. However, refinery problems in some regional markets caused prices, especially for gasoline, to rise substantially. At the beginning of June, reported problems at a refinery in Illinois caused gasoline prices to spike in Chicago and other Midwestern markets on fears of a supply shortage. After rumors of another Midwestern refinery experiencing problems the following week were denied, spot market prices for gasoline in the region posted sizable declines. In western markets, prices for gasoline (and to a lesser extent, distillate prices) experienced substantial increases during the middle portion of the month. The rise in prices, observed in markets from the Pacific Northwest to Southwest, resulted from a host of reported refinery problems. Prices began to calm down at the end of the month, as reports indicated that some affected units were up and running again. In other developments, refining margins shrank to their lowest levels in months

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	June 2003		May 2003		June 2002		June 2003		May 2003		June 2002	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	109.4	64.9	110.0	64.8	99.1	64.7	95.7	332.3	93.8	314.5	85.6	324.4
Conventional	104.8	37.9	103.6	38.1	95.6	38.2	91.3	220.9	88.7	208.7	81.8	219.4
Regular	101.9	29.4	100.7	29.5	92.5	29.1	89.8	185.3	87.2	174.0	80.2	181.2
Midgrade	110.9	4.7	110.2	4.7	101.6	5.0	95.9	11.5	93.6	11.2	86.4	12.0
Premium	119.1	3.8	118.2	3.9	110.0	4.1	101.0	24.1	97.9	23.5	90.7	26.2
Oxygenated	111.7	2.2	110.5	2.2	99.7	1.9	99.8	8.1	99.8	7.9	88.7	7.6
Regular	109.5	1.8	108.3	1.8	97.4	1.6	98.8	6.4	99.0	6.2	87.7	6.0
Midgrade	115.4	0.2	115.2	0.2	105.4	0.2	99.5	1.2	99.1	1.1	88.4	1.1
Premium	128.7	0.2	126.8	0.2	116.0	0.2	111.3	0.6	111.0	0.6	99.2	0.6
Reformulated	116.2	24.7	119.9	24.5	104.6	24.5	104.7	103.3	104.0	97.9	93.9	97.4
Regular	112.5	18.1	116.2	18.0	100.6	17.5	102.0	79.5	101.0	75.4	90.8	73.4
Midgrade	122.6	3.1	126.1	3.0	111.3	3.4	111.0	6.5	112.3	6.3	102.1	7.9
Premium	129.7	3.5	134.0	3.4	118.0	3.6	114.7	17.3	114.9	16.2	104.2	16.0
Aviation Gasoline	145.7	0.1	139.8	0.2	127.3	0.2	NA	NA	121.7	0.5	116.7	0.5
Kerosene-Type Jet Fuel	77.1	45.6	75.8	44.3	68.8	50.5	77.7	12.6	75.1	10.6	67.9	9.5
Propane (Consumer Grade)	56.0	1.9	53.9	1.8	37.9	2.9	57.4	30.0	54.3	28.5	37.9	29.3
Kerosene	90.9	0.1	NA	0.1	83.8	0.0	NA	NA	74.5	1.3	69.4	0.9
No. 1 Distillate	95.6	0.2	95.1	0.1	80.5	0.2	88.8	0.2	90.4	0.2	77.1	0.2
No. 2 Distillate	85.9	19.6	85.1	19.5	72.9	21.7	80.3	129.0	78.7	121.6	67.8	120.2
No. 2 Fuel Oil	81.8	2.5	80.9	2.6	67.6	2.8	77.0	20.5	75.5	20.1	65.8	17.0
No. 2 Diesel Fuel	86.5	17.1	85.7	16.9	73.7	18.9	80.9	108.5	79.3	101.5	68.2	103.2
Low Sulfur	88.5	11.9	88.5	11.7	76.2	12.8	81.1	95.4	79.6	89.9	68.4	92.1
High Sulfur	81.9	5.2	79.3	5.2	68.3	6.1	79.0	13.1	77.0	11.7	66.3	11.1
No. 4 Fuel^a	69.4	0.2	77.1	0.2	62.6	0.3	70.1	0.0	68.4	0.0	61.3	0.0
Residual Fuel Oil	63.9	11.9	61.9	10.4	58.4	9.7	58.4	6.7	57.7	6.8	53.3	9.8
Sulfur Content not > 1 %	71.9	4.0	74.9	2.0	63.5	2.0	63.6	2.2	62.6	2.9	53.7	5.8
Sulfur Content > 1 %	60.0	8.0	58.8	8.4	57.1	7.8	55.8	4.5	53.9	3.8	52.7	4.0

NA = Not available.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

during June, due to sustained high crude oil prices, increasing petroleum product inventories, and demand for finished products remaining at lower than expected levels. A large increase in reported natural gas inventories during the final week of June also contributed some downward pressure on prices.

Additional June market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

The June daily spot price for West Texas Intermediate (WTI) crude oil increased moderately as a result of high product demand and declining inventories. Opening at \$29.56 per barrel, the price rose firmly during the following days due to inventory reports showing a large

decline in crude oil stocks. The price reached its highest level in three months on June 11 when it hit \$32.17 per barrel. While it eased slightly over the next few weeks, the price remained supported by reported decreases in OPEC wellhead production. The month's low was reached on June 26, when the price hit \$28.97 per barrel. Rebounding slightly, the price closed June at \$30.15 per barrel.

- June monthly average crude oil prices increased from May levels. The average domestic crude oil first purchase price rose \$1.88 (7.5 percent), to \$26.84 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil climbed \$1.59 (6.8 percent), to \$25.05 per barrel. The average landed cost of foreign crude oil rose \$1.74 (6.9 percent), to \$27.05 per barrel.
- The average refiner acquisition cost for domestic crude oil climbed \$2.32 (8.7 percent), to \$29.07 per barrel. The average cost of imported crude oil to U.S. refiners increased \$2.06 (8.2 percent), to \$27.21 per barrel. The composite refiner acquisition cost for crude oil rose \$2.17 (8.4 percent), to \$27.91 per barrel.

Petroleum Products

Motor Gasoline

Pressed by recent drops in stock levels and refinery problems, the daily spot price for regular gasoline showed the most activity in the New York Harbor complex during June. Opening at 79.5 cents per gallon, the price moved immediately to its high of 88.7 cents per gallon on June 2 following news of a refinery outage that had the potential to affect the supply of gasoline in the Chicago area. While the price was buffeted by rumors of more refinery problems during the next ten days, it declined gradually for most of the remainder of the month as supply levels increased. Rising during the final days of the month, the price closed June at 82.4 cents per gallon, 2.9 cents higher than where it began the month.

- Monthly average gasoline prices were mostly on the rise in June. The average price for retail sales of motor gasoline by refiners declined 0.6 cent to \$1.094 per gallon. The average wholesale price increased 1.9 cents to 95.7 cents per gallon. Including data reported by a sample of motor gasoline marketers, the

national average price at company-operated retail outlets inched up 0.2 cent to \$1.077 per gallon. The average wholesale price rose 2.4 cents to 95.4 cents per gallon. The average dealer tank wagon (DTW) price increased 0.3 cent to \$1.014 per gallon, while the average rack price climbed 3.4 cents to 93.9 cents per gallon. The average price for bulk sales rose 4.7 cents to 86.3 cents per gallon. Reformulated gasoline (RFG) prices were 10.4 cents higher than conventional gasoline prices at retail, and 12.2 cents more at wholesale. Oxygenated gasoline prices were 6.7 cents higher than conventional gasoline prices at retail, and 7.9 cents more at wholesale.

- Sales of motor gasoline by refiners rose firmly during June. Total sales climbed 17.9 million gallons per day (4.7 percent), to an average of 397.2 million gallons per day. Retail sales increased 100,000 gallons per day (0.2 percent), while wholesales rose 17.8 million gallons per day (5.7 percent). Rack sales accounted for 65.1 percent of wholesales, while DTW and bulk sales made up 19.1 percent and 15.9 percent, respectively. Reformulated gasoline accounted for 32.2 percent of total motor gasoline sales, while oxygenated gasoline made up 2.6 percent of sales.

No. 2 Distillate

June proved to be a quiet month for the No. 2 heating oil daily spot price at New York Harbor, with the price following the general trend set by crude oil. Opening at 75.0 cents per gallon, the price moved to its high of 78.5 cents on June 11 at a leisurely pace. After easing to its low of 73.2 cents on June 19, the price rose moderately through the end of the month. Closing at 78.1 cents per gallon, the price was 3.1 cents higher than where it began June.

- Most No. 2 distillate prices fell in June. The national average residential sales price for No. 2 distillate declined 4.8 cents to \$1.219 per gallon. The average wholesale price increased 1.3 cents to 81.0 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets cents decreased 1.6 cents, while the average No. 2 diesel fuel wholesale price rose 1.3 cents. The margin between low- and high-sulfur diesel fuel prices was 2.9 cents at retail and 1.6 cents at wholesale.
- Refiner sales of No. 2 distillate increased during May. Total sales rose 7.5 million gallons per day (5.3 percent), to 148.6 million gallons per day. Sales of No. 2 fuel oil increased 300,000 gallons per day (1.3

percent), while sales of No. 2 diesel fuel rose 7.2 million gallons per day (6.1 percent). Low-sulfur diesel fuel accounted for 85.4 percent of all refiner diesel fuel sales, and 72.2 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil prices underwent moderate changes in June. Refiner prices for low-sulfur residual fuel oil fell 3.0 cents to 71.9 cents per gallon at retail, but increased 1.0 cent to 63.6 cents per gallon at wholesale. The average retail price for high-sulfur residual fuel oil rose 1.2 cents to 60.0 cents per gallon, while the wholesale price increased 1.9 cents to 55.8 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price fell 1.7 cents to 68.8 cents per gallon at retail, while the wholesale price increased 2.9 cents to 67.1 cents per gallon. The retail price for high-sulfur residual fuel oil rose 1.7 cents to 59.5 cents per gallon, while the wholesale price climbed 2.0 cents to 57.9 cents per gallon.
- Refiner sales of residual fuel oil rose during June. Total sales increased 1.4 million gallons per day (8.1

percent) to 18.6 million gallons per day. Low-sulfur residual fuel sales climbed 1.3 million gallons per day (26.5 percent), while high-sulfur residual fuel oil sales rose 300,000 gallons per day (2.5 percent).

Other Products

- Prices for the products included in this section show mixed trends in June. Refiner propane prices increased 2.1 cents per gallon at retail and 3.1 cents at wholesale. Including data from a sample of propane marketers, the average residential propane price fell 4.4 cents per gallon, while the average retail price dropped 2.4 cents. The average wholesale propane price rose 2.0 cents. Retail prices for kerosene-type jet fuel, aviation gasoline, and No. 1 distillate increased, while retail prices for kerosene and No. 4 distillate declined. June wholesale prices for kerosene-type jet fuel and No. 4 distillate rose while the wholesale price for No. 1 distillate fell.
- Sales of these products were varied during June. Sales of propane, kerosene-type jet fuel, and No. 1 distillate rose at both levels, while No. 4 distillate sales decreased in both categories. Sales of aviation gasoline and kerosene fell at the retail level.

